

Message Text

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ACTION OPIC-06

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8916

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E.O. 11652: N/A

TAGS: EINV, CS

SUBJECT: REQUEST FOR POLITICAL RISK INVESTMENT INSURANCE:
MORTON B. TURBOW

1. OPIC POLICY ON LAND ACQUISITION INVESTMENTS IN COSTA RICA IS DESCRIBED IN STATE 154540, STATE 170513, AND SAN JOSE 2791. THE RELEVANT PORTION READS, "OPIC INSURANCE AND FINANCING PROGRAMS WILL NOT BE AVAILABLE TO SUPPORT PROJECTS INVOLVING THE ACQUISITION OF SUBSTANTIAL LAND HOLDINGS IN COSTA RICA. SPECIFICALLY EXCLUDED ARE LAND PURCHASES WHICH ARE ESSENTIALLY SPECULATIVE OR ARE FOR REAL ESTATE SUBDIVISION OR DEVELOPMENT."

2. THE ABOVE POLICY WOULD APPEAR TO EXCLUDE SPECIFICALLY THE INSURING OF THE "MANSIONES DEL ROBLEDAL" PROJECT REQUESTED BY MORTON B. TURBOW. WHERE A POLICY HAS BEEN FORMULATED THAT CLEARLY EXCLUDES AN OPIC GUARANTEE IN A PARTICULAR CASE, THE EMBASSY WOULD ASSUME THAT OPIC'S PRE-SCREENING WOULD DICTATE A REFUSAL AND OBTAIN THE NECESSITY OF AN ENQUIRY TO THE EMBASSY.

3. THE EMBASSY WOULD ALSO QUESTION THE FINANCIAL ARRANGEMENTS FOR THE MANSIONES DEL ROBLEDAL PROJECT. IF WE READ THE PROJECT DESCRIPTION CORRECTLY, THE APPLICANT FOR INSURANCE NEVER HAS AT ANY STAGE OF THE PROJECT ANY FINANCIAL INVESTMENT WHATSOEVER. APPARENTLY THE CON-

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TRACTOR PROVIDES OR OBTAINS THE CONSTRUCTION FINANCING

LOCALLY IN COSTA RICA AND VARIOUS SAVINGS AND LOAN ASSOCIATIONS PROVIDE THE MORTGAGE FINANCING THAT PAYS OFF THE CONSTRUCTION LOAN. TURBOW APPARENTLY PROVIDES ONLY THE "BRIDGING FINANCING" THAT COMES IN BETWEEN THE CONSTRUCTION LOAN AND THE MORTGAGES, AND HE PROVIDES THIS FINANCING NOT WITH HIS OWN FUNDS BUT WITH FUNDS BORROWED FROM A LOCAL BANK.

4. UNLESS WE ARE MISINTERPRETING THE ARRANGEMENTS FOR THIS PROJECT, THE KIND OF FINANCING INVOLVED MAKES THE INVESTOR LOOK MORE LIKE A PROMOTER OR A BROKER WHOSE ONLY CONTRIBUTION TO THE PROPOSED PROJECT WOULD BE HIS GUARANTEE FROM OPIC. THIS WOULD SUGGEST THE DESIRABILITY OF CHECKING OUT THOROUGHLY ALL OF THE PARTIES INVOLVED, IF OPIC WOULD WISH TO CONTINUE TO CONSIDER THIS PROJECT, SUCH AS: AICA-JACMAG INTERNATIONAL OF PANAMA, MORTON B. TURBOW, NORMAN VANDER CLUTE, AND THE PUERTO RICO FINANCIAL CORPORATION.

5. EL ROBLEDAL S.A. IS A NEWLY-ESTABLISHED FIRM WHOLLY OWNED BY AICA-JACMAG WHICH WAS ESTABLISHED IN 1964 AS ARQUITECTOS INGENIEROS CONSULTORES ASOCIADOS LTD. SEVENTY-FIVE PERCENT OF THE PARENT FIRM IS OWNED BY COSTA RICANS AND THE REMAINING 25 PERCENT IS OWNED BY JACMAG INTERNATIONAL OF PANAMA. WVVCO DZO CARTAGO HEREDIA, REFERRED TO IN ITEM 10 AS BCH IS UNKNOWN TO EMBASSY AND IT PRESUMED TO BE AN ERROR.

6. BESIDES THE CONSIDERATIONS LISTED ABOVE, IT IS ALSO WORTH NOTING THAT THE SELLING PRICE OF THE HOUSING TO BE CONSTRUCTED IS ABOVE THE AVERAGE MIDDLE-INCOME RANGE IN COSTA RICA AND, CONTRARY TO THE STATEMENT MADE ON THE REGISTRATION FORM, WOULD NOT APPEAR TO MEET THE HOUSING NEEDS OF THAT SEGMENT OF THE POPULATION.

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